

Information Notice

November 2012 Supplement to the Options Disclosure Document

The SEC approved the November 2012 [supplement](#) to the Options Disclosure Document (ODD).¹ The ODD contains general disclosures on the characteristics and risks of trading standardized options. The November 2012 supplement amends the ODD disclosure to accommodate adjustments for cash dividends and distributions for options overlying less than 100 shares. Among other things, this change will help to ensure that mini options² are adjusted when the corresponding standard-sized options are adjusted. Specifically, the November 2012 Supplement would make clear that no adjustment will normally be made for any cash dividend or distribution that amounts to less than \$0.125 per underlying share. In addition, for contracts originally listed with a unit of trading larger than 100 shares, the November 2012 Supplement will continue to provide that no adjustment normally would be made for any cash dividend or distribution that amounts to less than \$12.50 per contract. As with other supplements to the ODD, this should be read in conjunction with the current ODD, [Characteristics and Risks of Standardized Options](#).

Rule 9b-1 under the Securities Exchange Act requires broker-dealers to deliver the ODD and supplements to customers.³ FINRA has similar requirements in FINRA Rule 2360(b)(11)(A)(1), which requires firms to deliver the current ODD to each customer at or before the time the customer is approved to trade options. In addition, FINRA Rule 2360(b)(11)(A)(1) requires firms to distribute a copy of each ODD supplement to customers who previously received the ODD. Firms must deliver the ODD supplements no later than the time a customer receives a confirmation of a transaction in the category of options to which the supplement pertains. Rule 2360(b)(11)(A)(3) also requires FINRA to advise firms when revisions to the ODD are made.

January 24, 2013

Suggested Routing

- ▶ Compliance
- ▶ Institutional
- ▶ Legal
- ▶ Options
- ▶ Senior Management
- ▶ Trading

Key Topics

- ▶ Mini Options
- ▶ Options
- ▶ Options Disclosure Document

Referenced Rules & Notices

- ▶ FINRA Rule 2360
- ▶ NTM 98-3
- ▶ SEA Rule 9b-1

To comply with the requirements of FINRA Rule 2360(b)(11)(A)(1), firms may distribute the ODD supplement in various ways, including, but not limited to, one of the following:

1. conducting a mass mailing of the supplement to all of its customers approved to trade options who have already received the ODD; or
2. distributing the supplement to a customer who has already received the ODD not later than the time a customer receives a confirmation of a transaction in the category of options to which the amendment pertains.

FINRA reminds firms that they may electronically transmit documents that they are required to furnish to customers under FINRA rules, including the ODD and supplements thereto, provided the firm adheres to the standards contained in the May 1996 and October 1995 Securities Exchange Commission Releases,⁴ and as discussed in [Notice to Members 98-3](#). Firms may also transmit the ODD and supplements to customers who have consented to electronic delivery through the use of a hyperlink.

Questions regarding this *Notice* may be directed to Kathryn M. Moore, Assistant General Counsel, Office of General Counsel, at (202) 974-2974.

Endnotes

1. See Securities Exchange Act Release No. 68368 (December 6, 2012) 77 FR 74043 (December 12, 2012).
2. In September 2012, the SEC approved proposed rule changes that permitted the International Securities Exchange, LLC and NYSE Arca, Inc. to list and trade mini options overlying 10 shares of SPDR S&P 500 ETF, Apple Inc., SPDR Gold Trust, Google Inc. and Amazon.com, Inc. See Securities Exchange Act Release No. 67948 (September 28, 2012), 77 FR 60735 (October 4, 2012) (SR-NYSEArca-2012-64 and SR-ISE-2012-58).
3. 17 CFR 240.9b-1.
4. See Securities Act Release No. 7288 (May 9, 1996) 61 FR 24644 (May 15, 1996) and Securities Act Release No. 7233 (October 6, 1995) 60 FR 53458 (October 13, 1995).
5. See Securities Act Release No. 58738 (October 6, 2008) 73 FR 60371 (October 10, 2008).